

Testimony by

Douglas G. Duncan
President and CEO, FedEx Freight

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Committee on Transportation and Infrastructure
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On

“The Road Ahead as Seen by the Users of the Highway Systems”

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Mr. Chairman and subcommittee members, thank you for the opportunity to appear before you today to discuss freight logistics and issues impacting the trucking industry, a key provider of services to businesses of all kinds throughout the U.S. I'm the president and CEO of FedEx Freight Corporation, which includes FedEx Freight, FedEx National LTL and FedEx Freight Canada. These companies, with approximately 37,000 employees and 470 service centers across the U.S. and Canada, are the primary trucking operations for FedEx. In addition to my duties with FedEx, I serve on the executive committees of the American Trucking Associations, (ATA), and the Transportation Research Board (TRB). I am also Chairman of the American Transportation Research Institute, an organization that conducts research in the field of transportation.

In the trucking industry, our role is to support supply chain management, connecting products and goods with people, efficiently and safely. At FedEx Freight, we serve more than 200,000 companies across the U.S. – including retailers and manufacturers – of products ranging from computer chips to potato chips. According to the ATA, approximately 69 percent of the total freight transported in the United States last year moved on a truck. That amounted to 10.7 billion tons of freight, a new national record. And we expect a demand for our freight services to remain strong for the long term. In fact, the Council of Supply Chain Management Professionals estimates that domestic freight transportation (in tons moved) will rise 65 to 70 percent by 2020.

As a 30-year veteran of the transportation industry, I will tell you that carriers have made tremendous strides since deregulation in 1980. The industry has transformed itself from being internally focused into an industry that is driven to meet market demands. One of the most significant market dynamics in recent years has been the move to fast-cycle logistics. Companies have begun managing supply chains holistically — looking at the overall cost of goods and inventory. And the supply chain professionals who have been the architects of this new approach to transportation and distribution have achieved a great deal. Logistics as a percent of GDP has been trending down for the past decade. Inventory levels continue to drop, with the average amount of inventory stocked in U.S. reduced by nearly 20% in recent years. As a result, businesses are more efficient and able to react more swiftly to changing market needs.

In this competitive environment, reliability is a necessity, not an option. As companies reduce their inventories, there is no “safety supply.” And with global sourcing, planning and executing extended supply chains requires absolute certainty and integrity of information.

The trucking industry plays a key role in supporting our country's economy, and to do so, we need an efficient highway system. Our current infrastructure is not sufficient for our needs today, much less tomorrow.

Rosalyn Wilson, author of the Council of Supply Chain Management Professionals' 2005 logistics report, recently stated that, “It's no longer a question of if we will reach a crisis point, but when.”

Based on recent studies by a number of groups, her concern is valid. For example, the Federal Motor Carrier Safety Administration (FMCSA) reports that from 1998 through 2018, there will be 70% more vehicle miles driven by commercial vehicles alone. However, the most recent trends regarding infrastructure show only a 3.4% increase in highway lanes between 1994-2004.

Not only is the addition of highways not keeping pace with commerce, but existing highways are in poor condition. Last year, the American Society of Civil Engineers, which assesses the national infrastructure periodically, last graded our roads a “D,” a slight decline from their “D+” in 2001.

The impacts of an insufficient infrastructure are significant—for the business community and for all of us as individuals. Substandard highways are dangerous. Outdated and substandard road and bridge design, pavement conditions, and safety features are factors in 30% of all fatal highway accidents, according to the Federal Highway Administration.

Beyond the challenges many residents of major cities, like D.C., face in just getting to work everyday, congestion is expensive for business and industry. According to a speech by former U. S. Secretary of Transportation Norman Mineta, our country is losing an estimated \$200 billion a year due to freight bottlenecks and delayed deliveries. Companies, like FedEx, that support these critical supply chains, are challenged to find ways to maintain service standards despite these conditions. Congestion is a key factor driving FedEx Freight’s need to build new facilities.

In examining the state of our infrastructure, we cannot ignore the other key elements of transportation today—railroads, dams, rivers, ports and airways. The business of transporting and distributing goods today is not a “one size fits all” proposition. Some commodities are uniquely suited to move by rail. Intermodal is also a good option for less time-sensitive shipments. For next-day delivery of packages and large shipments, trucks are needed. And, when containers reach our shores, ports must have the capacity and ability to accept these vessels, so that the products they contain can continue their journey—sometimes by rail and truck—to the final destination.

The interconnections and dependencies among all modes and channels of transportation and distribution are critical. And, much like the supply chains of our customers, infrastructure must be viewed holistically, with improvements to highways, rail, ports and dams coordinated. Also, like our customers’ supply chains, one weak link can lead to disastrous results. Imagine commerce being diverted to already congested highways if a dam or lock on the Mississippi River failed. Given the condition of many locks and dams, this is not an unrealistic example.

In short, all aspects of our infrastructure must be functioning well and expanding appropriately to meet the overall needs of the marketplace and the economy. The Department of Transportation’s development of a National Freight Policy Framework is a

good concept. However, we must ensure that we have the right resources focused on the right outcomes and that we have a common understanding of the desired end state.

It's clear that additional revenue is needed to fund infrastructure improvements. The National Highway Re-Authorization Bill that was passed by Congress in 2005 won't adequately fund needed maintenance of the current interstate system, much less expand it. The Road Information Project, a Washington non-profit group that promotes transportation policies that relieve congestion and aid economic productivity, estimates it would cost \$35 billion a year for major improvements that would significantly reduce congestion.

FedEx Freight supports increasing the federal fuel tax if the additional revenue would be used solely to improve highways. While there are many commendable projects being funded in communities across the country, we cannot lose sight of the very important work that needs to be done to enhance our nation's transportation system to make it more efficient and safe.

More government-controlled toll roads or higher tolls aren't the answer. Every time we build a new toll way, we have to build a new bureaucracy to collect and administer that money. Again, I think those funds could be better spent on critical roadwork. Mechanisms, however, already are in place for collecting higher fuel taxes.

On the other hand, states are beginning to address federal under-funding for highways by outsourcing toll roads to private equity. While I believe that fuel tax is the most efficient way to raise revenues, privatization of highways – if properly controlled – may be a good way to bring new funds to our infrastructure.

Intermodal offers some opportunities; however, it is not a tool fast enough or reliable enough for fast-cycle logistics or shrinking supply chains. If customers are forced to divert shipping to slower modes of transit, we will add inventory back into the supply chain, risking the ability of companies to compete and be efficient.

In closing, I would tell you that the issues we face in the trucking industry go beyond roads – railways, dams, rivers, ports, and airways all affect the movement of goods. The private sector and industry groups need to continue working with the government and making the case for holistic long-term infrastructure plans. We need to have a new vision for the future and an actionable plan to make that vision reality. And we need to make this a priority now. Thank you.